

Message Text

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SUBJ: EFFECT OF 30 DEC MEASURES ON US BUSINESS: KALICAK INTERNATIONAL

REF: OB ELLISON'S MEMCON OF OCT 29, 1974 ON HAROLD KALICAK,
COPY SENT TO STRAND/OSCWIEJA

1. ONLY ONE AMERICAN FIRM, CONSTRUCTION COMPANY KALICAK INTERNATIONAL, HAS THUS FAR BEEN DIRECTLY AFFECTED BY 30 DEC MEASURES. A FULL DESCRIPTION OF KALICAK IS CONTAINED IN REF MEMO. 30 DEC MEASURES CITED CONSTRUCTION SECTOR, INCLUDING ALL SUPPLIERS OF CONSTRUCTION MATERIALS, AS ONE OF INDUSTRIES WHICH WOULD HENCEFORTH BE CONTROLLED BY STATE. SINCE THEN, SEVERAL SUPPLEMENTARY INSTRUCTIONS FROM GOZ HAVE MADE IT CLEAR:

- A) THAT EXCEPTION MADE FOR FOREIGN FIRMS UNDER INVESTMENT CODE DOES NOT APPLY TO CONSTRUCTION SECTOR (KALICAK AS MATTER OF FACT IS NEITHER UNDER CODE; NOR DOES HE HAVE DEROGATION FROM NOV 30, '73 DECREES--AND HENCE IS VULNERABLE)
- B) THAT HEADS OF CONSTRUCTION COMPNIES REMAIN RESPONSIBLE AND ACCOUNTABLE FOR THEIR BUSINESS UNTIL FURTHER NOTICE BY GOZ.
- C) THAT BOTH ZAIRIANS AND FOREIGN EMPLOYEES OF CONSTRUCTION COMPANIES MUST REMAIN IN PLACE.
- D) THAT BANK ACCOUNTS OF CONSTRUCTION COMPANIES HAVE BEEN FROZEN.

2. KALICAK HAS BEEN HIT BY ALL OF FOREGOING. AT MEETING ON JAN 8, CALLED BY MINISTER OF PUBLIC WORKS, CONSTRUCTION COMPNIES WERE INFORMED THAT THEY HAD INDEED BEEN TAKEN OVER BY STATE, BUT THAT THEY WERE TO CONTINUE WORKING AS BEFORE. IN RESPONSE TO QUESTION OF HOW COMPANIES WERE TO MEET PAYROLLS, PURCHASE SUPPLIES AND
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OTHERWISE TRANSACT THEIR BUSINESS IF THEIR ACCOUNTS WERE FROZEN,

MINISTER REPLIED THAT HE WOULD PERSONALLY APPROVE ALL CHECKS TO BE DRAWN ON COMPANIES ACCOUNTS. IN PROVINCES, HE SAID REGIONAL COMMISSIONERS WOULD HAVE THAT AUTHORITY. MINISTER WAS UNABLE TO ANSWER ANY OF OTHER QUESTIONS AS TO HOW THINGS WOULD WORK, BUT PROMISED ANSWERS SOON.

3. KALICAK AND OTHER COMPANIES AFFECTED UNANIMOUSLY PREDICT THAT SYSTEM DESCRIBED BY MINISTER WILL NOT WORK. THERE IS NO WAY, THEY SAY,

THAT CONSTRUCTION ACTIVITY CAN GO ON IF EACH PURCHASE MUST BE APPROVED BY MINISTER OR REGIONAL OFFICIAL. KALICAK HAS, HOWEVER, SUBMITTED VOUCHERS FOR HIS COMPANY'S PAYROLL AND OTHER PURCHASES TO THE MINISTER WITH URGENT REQUEST FOR ACTION. KALICAK'S GENERAL STANCE, AT THIS POINT, IS TO MAKE SURE THAT HE DOES NOT TAKE ANY ACTION WHICH WOULD PREJUDICE HIS CASE WITH GOZ, AND HE WILL TRY TO CONTINUE WORKING. HE PREDICTS, HOWEVER, THAT HE WILL NOT BE ABLE TO ACCEPT LATEST GOZ IDEAS OF ZAIRIAN DELEGATE RUNNING HIS BUSINESS OR A "REVOLUTIONARY MANAGEMENT COMMITTEE" LOOKING OVER HIS SHOULDER--IF THESE DECREES ARE APPLIED TO CONSTRUCTION INDUSTRY.

4. WE ARE RAISING THIS AND RELATED MATTERS WITH GOZ AND WILL ENDEAVOR TO GET RELIEF AND, IF WORSE COMES TO WORST, COMPENSATION FOR ANY ASSETS EXPROPRIATED.
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